

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Huron Community Bank** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **May 13, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated **Outstanding**.

Huron Community Bank (HCB) continues to maintain a high level of performance in meeting the credit needs of its community. The bank strongly promotes economic revitalization and growth, given its size, financial capacity, location and current economic conditions. A review of the bank's lending activity indicates that the bank originates credit by general type consistent with the types of credit listed in its CRA statement, and reflects its commitment to meeting the credit needs of the entire assessment area.

The bank's efforts to provide economic growth consistent with its size is evidenced by a consistently high loan-to-deposit ratio, a high percentage of loans within the assessment area, and a more than sufficient geographic dispersion of loans. Management is knowledgeable of antidiscrimination laws and has developed adequate policies, procedures and training programs to prevent prohibited discriminatory lending practices or policies intended to discourage loan applications. Further, no complaints were received by the institution regarding its CRA performance since the previous examination.

The following table indicates the performance level of **Huron Community Bank** with respect to each of the six performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	HURON COMMUNITY BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	X		
Services	X		
Response to Complaints	NO COMPLAINTS WERE RECEIVED SINCE THE LAST EXAMINATION		

DESCRIPTION OF INSTITUTION

Huron Community Bank (HCB), with \$79 million in total assets as of March 31, 1996, is a subsidiary of Huron Community Financial Services Incorporated, a one-bank holding company. The bank's main office is located in East Tawas, Michigan, approximately 70 miles north of Saginaw in Iosco County. The bank also has three branch offices located in Tawas City, Lincoln and Oscoda.

HCB is a retail community bank offering traditional financial services including commercial, consumer, real estate and farm credit products. The consumer loan products include secured installment, home equity lines of credit, personal unsecured and overdraft protection loans. Real estate loans include conventional loans with financing up to 90% loan-to-value with private mortgage insurance (PMI), construction loans, land purchase and home improvement loans. Commercial and farm credit products include operating lines of credit, real estate, capital purchases and equipment. The bank sells its student loans and real estate mortgages on the secondary market and participates in various government-insured loan programs.

The bank's primary competitors include branches of First of America Bank - Michigan NA, Mutual Savings Bank, FSB of Bay City and Northland Area Federal Credit Union, North Bank of Hale and Great Lakes Bancorp, FSB of Ann Arbor.

DESCRIPTION OF HURON COMMUNITY BANK-S ASSESSMENT AREA

Huron Community Bank has defined its assessment area as Block Numbering Areas (BNA) 9801 through 9806 and 9901 through 9911 in Iosco and Alcona Counties. The assessment area encompasses the cities and towns of East Tawas, Hale, Long Lake, National City, Oscoda, South Branch, Tawas City, Turner and Whittemore in Iosco County; and Barton City, Black River, Curran, Glennie, Greenbush, Harrisville, Lincoln, Mikado and Spruce in Alcona County.

According to the 1990 Census, the total population in the bank's assessment area is 40,354, with minorities comprising 1,604 or 4% of the population. The greatest minority concentration (1,458 or 4.8% of the county's 30,209 population) is in Iosco County. Demographically Blacks represent the largest minority concentration with 646 or 40.3% of the minority population and 1.6% of the total population within the bank's assessment area. Hispanics represent 378 or 0.9%, American Indians 322 or 0.8% and Asians 271 or 0.7% of the total population.

The 1990 U.S. Census Bureau data reports the adjusted median family income of the assessment area is \$22,704. The total number of families in the assessment area is 11,705. A total of 2,780 families or 23.8% are low income (less than 50% of median income); 2,955 or 25.2% are moderate income (50 - 79% of median income); 2,826 or 24.1% are middle income (80 - 120% of median income); and 3,144 or 26.9% are upper income families (121% or more of median income). There are no low income or minority census tracts within the assessment area.

Alcona County is 100% rural and Iosco County is considered to be 72% rural. Federal recreational land and state parks represent a large portion of Iosco and Alcona Counties. The assessment area has a total of 29,931 housing units with 11,606 or 38.8% owner occupied and 4,243 or 14.2% renter occupied. A total of 14,082 or 47.0% of the housing units are considered vacant, or for seasonal recreation use only. Of the total number of housing units, 25,709 or 85.9% are single family dwellings and 3,062 or 10.2% are mobile homes. Owner occupied units in moderate income areas totaled 4,970 or 32.8% and 6,636 or 44.8% in middle income areas. The median housing value is 47,658 and the median housing age is 32 years. The assessment area is considered a resort and tourist area.

The following chart illustrates the major employers in the bank's assessment area.

EMPLOYER - LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
R P I, Inc - Oscoda	225	Motor Vehicle Parts and Accessories
Starboard Industries - East Tawas	200	Automotive - Stamping
Baylock Manufacturing Corp. - East Tawas and Oscoda (a division of ITT)	171	Plastic Products
U. S. Gypsum Co - Tawas City	80	Gypsum (sulfate) Products
Tawas Industries, Inc. - Tawas City	75	Motor Vehicle Parts
Tawas Tool Company - East Tawas	71	Machine Tool Accessories
Aircraft Tool Supply Company - Oscoda	49	Hand Tool Supplier
Oscoda Plastics Inc - Oscoda	40	Plastic Products
Norwood Products Co.- Oscoda	35	Sporting and Athletic Goods
Valcraft Corp - East Tawas	33	Machine Tools

Unemployment information obtained from the Michigan Employment Security Commission for the month of March, 1996 indicated that Iosco County's unemployment rate was 9.5% and Alcona County's unemployment rate was 11.0%, compared to the State of Michigan's unemployment rate at 5.2% and the national unemployment rate at 5.8%. Iosco County's poverty rate ranks 16th and Alcona County 19th among Michigan's 83 counties.

Community contacts indicate that the major employment opportunities are seasonal with the summer being the peak of the season. The contacts also indicated that the majority of year-round residents are retirees who have relocated from the automobile manufacturing communities in lower Michigan. Huron Community Bank was mentioned as an active lender in the community and a leader in attracting small business development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

Loan-to-Deposit Ratio

The following charts illustrate the composition of the bank's loan portfolio, and how the bank's performance compares with its peers. A review of the bank's December 31, 1995 Consolidated Report of Condition revealed a loan-to-deposit ratio of 74.75%. The distribution by loan type was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE	1,921	3.65
Construction	24,957	47.48
Residential (1-4)	1,878	3.57
Home Equity	1,276	2.43
Commercial	0.0	0.00
Agricultural	92	0.17
Multi-family		
CONSUMER	8	0.01
Open-end Credit	5,866	11.16
All Other		
COMMERCIAL AND INDUSTRIAL	15,903	30.25
AGRICULTURAL	0.0	0.00
STATE AND POLITICAL		
OBLIGATIONS	658	1.25
OTHER	9	0.02

The bank's loan distribution as of March 31, 1994 (contained in the previous report of examination) was compared to December 31, 1995 loan distribution. This comparison revealed that the loan-to-deposit ratio remained relatively constant with a slight increase from 74.40% to 74.75%. There was a significant increase in the bank's construction real estate lending which increased 162% from \$734,000 to \$1,921,000. Overall, total loans increased by \$4,666,000 or 9.74% since the previous examination.

An analysis of the bank's Consolidated Reports of Condition throughout the six quarters in the review period disclosed an average loan-to-deposit ratio of 73.85%. This ratio is considered more than reasonable given the institution's size, financial condition and assessment area credit needs. According to a review of the December 31, 1995 Uniform Bank Performance Report (UBPR) data, Huron Community Bank's loan-to-deposit ratio exceeds the peer group by an average of 7%.

According to the Uniform Bank Performance Report (UBPR), dated December 31, 1995, the bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	3.47	1.60
1 - 4 Family Residential	52.76	31.15
Home Equity	3.64	0.21
Other Real Estate	2.94	21.15
Farmland	0.00	5.44
Multi-family	0.18	0.51
Commercial	2.76	11.89
TOTAL REAL ESTATE LOANS	59.17	57.25
LOANS TO INDIVIDUALS	10.47	15.52
CREDIT CARD LOANS	0.02	0.29
COMMERCIAL & INDUSTRIAL LOANS	29.47	13.12
AGRICULTURAL LOANS	0.00	6.77
MUNICIPAL LOANS	0.86	0.40
OTHER LOANS*	0.03	0.16
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

Lending in Assessment Area

A sample of loans and denied/withdrawn credit applications was reviewed regarding lending activity within the bank's assessment area. An analysis of the examination loan sample revealed the following distribution.

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Direct Installment	22	19	86%
Indirect Installment	13	9	69%
Commercial	11	8	73%
Real Estate	20	19	95%
Home Equity	10	10	100%
Overdraft Protection	10	10	100%
Total Approved Loans	86	75	87%
Denied Applications	52	46	88%
TOTAL APPLICATIONS	138	121	88%

As the preceding chart illustrates, 88% of the loans were within the assessment area.

The bank conducts a self analysis of lending activity within its assessment area on a quarterly basis. The following charts illustrates the bank's analysis of lending within its assessment area for period ending 1995.

1995 LOAN ORIGINATIONS WITHIN ASSESSMENT AREA			
LOAN TYPE	TOTAL LOANS	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Installment	394	345	88%
Commercial	237	210	89%
Real Estate	183	175	96%
Home Equity	24	24	100%
Overdraft Protection*	49	49	100%
TOTAL APPLICATIONS	887	803	91%

TOTAL 1995 LOANS OUTSTANDING		
TOTAL LOANS	WITHIN ASSESSMENT AREA	PERCENT OF TOTAL
\$67,859,421	\$63,912,100	94%

As the preceding chart illustrates, 91% of loans and 94% of total loan dollars were within the bank's assessment area.

Each month, the bank receives a mortgage summary report from the Landmark Title Corporation summarizing the number of mortgages filed by all financial institutions for properties located within Iosco County. Summary mortgage reports for Alcona County are not available. A review of the summary reports for 1994 and 1995 indicate that the bank has consistently outperformed its peers in the number of mortgages filed within Iosco County.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The following chart illustrates the distribution of the loan sample, according to income levels.

LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE- INCOME \$000's/Number	MIDDLE-INCOME \$000's/Number	UPPER-INCOME \$000's/Number
Direct Installment	\$7,570/2	\$9,011/3	\$4,067/1	\$139,099/13
Indirect Installment	\$0/0	\$10,083/2	\$51,848/4	\$66/413/7
Real Estate	\$0/0	\$0/0	\$159,000/5	\$883,450/15
Home Equity	\$0/0	\$0/0	\$0/0	\$285,000/10
Overdraft Protection	\$500/1	\$200/1	\$12,500/2	\$33,000/6
Total Originations	\$8,070/3	\$19,294/6	\$227,415/12	\$1,426,256/51

The bank is a participant in the Michigan Guaranteed Student loan program. Since the previous examination, the bank originated 44 student loans totaling \$130,341. Prior to selling 70 student loans totaling \$173,795 on February 9, 1996, the bank had 114 outstanding student loans totaling \$304,136.

The bank also participates in The Rural Economic Community Development Guaranteed Rural Housing Program (RECD). The program allows the bank to make loans using flexible underwriting standards to low- or moderate-income families for the acquisition of housing in rural areas throughout the State of Michigan. Since the implementation of the program

(January 1, 1996), the bank has originated five RECD loans totaling \$216,200. One hundred percent (100%) of these loans were made to moderate income individuals within the assessment area.

A sample of commercial loan activity was also reviewed for the 1995 -1996 period. The sample indicated that the majority of the bank's commercial lending activity is to businesses with annual sales less than \$500,000. This lending activity is consistent with the types of businesses located in the bank's assessment area.

A review of the bank's June 30, 1995 Consolidated Report of Condition revealed the following loan distribution to small businesses:

LOAN ORIGATION CATEGORY (000's)	NUMBER OF LOANS	DOLLAR AMOUNT OUTSTANDING	% OF TOTAL
SMALL BUSINESS			
\$100 OR LESS	240	\$5,645	37.17%
\$100 - \$250	45	\$4,804	31.63%
\$250 - \$1 MILLION	21	\$4,739	31.20%
TOTAL	306	\$15,188	100%

The preceding chart illustrates that 78.43% of the total number of small business loans were for amounts of \$100,000 or less. With the loan size used as a proxy, the chart further indicates that the total outstandings are proportionately distributed to businesses of different sizes.

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and a strong penetration to businesses of different sizes.

Geographic Distribution of Loans

A review of the bank's loan files and internal documents revealed the following loan activity since the previous examination:

COUNTY POPULATION (000s)	TOWN	NUMBER OF LOANS	LOANS OUTSTANDING	AVERAGE LOAN AMOUNT	% OF LOANS TO P O P U L A T I O N
30,209	East Tawas*	579	\$18,451,036	\$31,867	
I O S C O	Hale	50	\$1,153,984	\$23,080	
C O U N T Y	Long Lake	3	\$71,838	\$23,946	

	National City	69	\$2,431,247	\$35,236	
	Oscoda*	340	\$11,088,128	\$32,612	
	South Branch	3	\$84,024	\$28,008	
	Tawas City*	505	\$18,673,891	\$36,978	
	Turner	2	\$39,513	\$19,756	
	Whittemore	21	\$548,652	\$26,126	
IOSCO COUNTY TOTALS		1,572	\$52,542,313	\$33,423	5.2%
POPULATION 10,145 A L C O N A C O U N T Y	Barton City	21	\$696,637	\$33,173	% OF LOANS TO P O P U L A T I O N
	Black River	8	\$285,466	\$35,683	
	Glennie	39	\$1,294,890	\$33,202	
	Greenbush	44	\$1,412,133	\$32,094	
	Harrisville	105	\$3,197,108	\$30,449	
	Lincoln	119	\$2,940,040	\$24,706	
	Mikado	35	\$859,966	\$24,570	
	Spruce	16	\$683,547	\$42,722	
ALCONA COUNTY TOTALS		387	\$11,369,787	\$29,379	3.8%
TOTAL LOANS WITHIN ASSESSMENT AREA		TOTAL 1,959	OUTSTANDINGS \$63,912,100	AVERAGE \$32,625	4.8%

As the preceding chart illustrates, the bank originates loans throughout its entire assessment area. The bank's performance in making loans throughout the assessment area, including moderate-income tracts is reasonable. No evidence of irregular lending patterns were detected.

Services

The bank's hours of services, types of services offered, the location and availability of ATM machines, and comments made by community contacts were reviewed to determine if the bank's facilities are easily accessible, and if hours of operation and the type of services rendered are reasonable. As a result of the bank's ascertainment efforts, the following products and services have been implemented since the previous examination:

The bank has opened a drive-in facility at its main office and has extended the drive-in hours at all locations from 4:30 p.m. Monday through Thursday to 6:30 p.m. and Fridays until 7:00 p.m.

January 1, 1996, the bank introduced its 24-hour telephone banking system which allows customers to bank 24 hours a day. The banking system allows customers to access account balances and transaction information and transfer funds from one account to another.

In May, 1995 the bank developed the Personal Reserve Account (PRA) banking product. PRA provides a personal line of credit to automatically cover overdraft from the customer's checking account. Finance charges are assessed only on the credit used and there are no annual fees.

The Small Business Econo-Checks Account (SBECA) was introduced in April, 1995. SBECA is designed for small businesses with limited or low monthly activity. The product is enhanced by the small business customer receiving an unlimited amount of free checks, deposit slips and an endorsement stamp. Further, there are no per deposit fees nor FDIC insurance fees.

In April, 1996, the bank lowered the personal interest-bearing checking account (Checking - On Us PLUS) minimum balance amount required to waive monthly fees from \$1,200 to \$400.

Huron Community Bank provides technical and financial expertise to members of the community. The bank participates in various financial seminars providing counseling on how to obtain and use credit. Further, the bank has participated in Home Buyers seminars which provide participants with information on how to choose the right builder and how to obtain a mortgage. HCB also participates through technical and financial contributions to Sunrise School-To-Work program, which introduces and instructs students on banking principles.

Response to Substantiated Complaints

No complaints were received by the institution regarding CRA performance since the previous examination.